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SUBJECT: SECURITY COUNCIL RENEWS MNF-I, DFI AND IAMB

11. (SBU) Summary: On December 18, the UN Security Council unanimously approved the extension of the mandate for 2008 of the Multinational Force in Iraq (MNF-I) and the arrangements for the Development Fund for Iraq (DFI) and the International Advisory and Monitoring Board (IAMB). The U.S., UK and Slovakia cosponsored the resolution, which is numbered Resolution 1790. Prior to adoption, at Russia's request, the Security Council received a briefing by Warren Sach, UN Controller, on behalf of the IAMB. Sach identified five major issues of concern in the handling of DFI monies (which are primarily revenues earned from petroleum exports). Following adoption of the resolution, the U.S, UK and Iraq Permanent Representatives spoke, emphasizing the steady transition of Iraq to full integration within the international community. The Iraqi Perm Rep, Hamid al-Bayati, emphasized that the government of Iraq considers this extension of MNF authority to be its "final" extension. End summary.

IRAQ RESOLUTION ADOPTED

12. (U) Following final approval by Prime Minister Maliki of the MNF-I resolution text, the U.S. requested during the morning of December 18 that the resolution be put "in blue," with a vote in the afternoon. Despite the fact that the "blue" period normally lasts 24 hours, Council members agreed to this expedited process given the consensus on the text and the crowded Council calendar. In an intervention after the vote, Ambassador Khalilzad noted that the decision to extend the mandate, coupled with recent decisions to extend the mandate of the UN Assistance Mission to Iraq (UNAMI) and to launch the Iraq Compact in May, "signal that the international community recognizes that what happens in Iraq has profound consequences for us all, and that the Iraqis striving to establish a stable, peaceful and prosperous democracy merit our support." UK PermRep Sawers echoed this sentiment, and noted that the UK is determined to "fulfill its responsibilities and obligations to the Iraqi government and people." Sawers said the UK's withdrawal from Basrah should not be considered the end of the UK's involvement in Iraq.

13. (U) Iraqi PermRep Bayati said the Council's adoption of the resolution was a "historic day" because it marked his government's request "for the last time" for MNF support. He While describing MNF's assistance as "essential to accomplish the mission started with Iraq's liberation," he underscored several times the Iraqi government's desire that this resolution be the last extension of the MNF-I mandate, noting that no country desires foreign troops on its soil and that MNF should not stay "one day longer than they are needed." Bayati delivered an update on the situation in Iraq, and said the government is focused on its efforts "to achieve national reconciliation, to ensure expanded political participation of all national political forces, guarantee respect for human rights and the supremacy of law, achieve economic growth, and to provide basic services for the Iraqi people." He claimed

Iraq had averted civil war and succeeded in rebuilding the ISF. Bayati said the challenges ahead include defeating terrorism and al-Qaeda and its allies. He said Iraq desires to play a role in advancing stability in the Middle East. He ended his intervention by calling again on the Security Council to reduce or abolish the transfer of five percent of Iraq's proceeds from oil export sales to the UN Compensation Commission set up to assist victims of Saddam Hussein's invasion of Kuwait. The official text of UNSCR 1790 is at <http://www.un.org/Docs/sc/unsc/resolutions07.htm>

IAMB BRIEFING

¶4. (U) UN controller Warren Sach, the UN's representative to the IAMB (comprised of the Arab Fund for Economic and Social Development, the IMF, the World Bank, the UN and the GOI), provided an update on IAMB activities before the vote at Russia's request. Sach recalled that the IAMB had been set up as an audit oversight body for the DFI, which to date has held deposits of USD \$70 billion in oil export sales, 10.2 billion in transfers of Oil-for-Food monies, and \$1.5 billion in transfers of frozen Iraqi assets. He reported that the IAMB has met 21 times since October 2003. In the judgment of the IAMB, "major issues" of concern related to the handling of DFI resources are the following: 1) the absence of a comprehensive oil metering system; 2) the use of barter transactions (especially those not reported to the DFI);, 3) inadequate controls over expenditures; 4) oil smuggling; and 5) "certain" contractual practices. He said these concerns had been corroborated by other independent audits, including those undertaken by the USG.

¶5. (U) Turning to the future, Sach reported that the IAMB was working closely with the board's Iraqi successor, the

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Committee of Financial Experts (COFE), to prepare for the upcoming GOI takeover of the IAMB function. Russian DPR Shcherbak noted that the Security Council had not established the DFI or IAMB but had merely "noted" their establishment in Council resolutions. He said Sach's briefing underscored the need for the Council to exercise its oversight over the IAMB and DFI. To this end, he called for the IMF (as incoming chair of the IAMB) to brief Council members in Washington in January, in order that the Security Council might gain a better understanding of the state of play within the DFI/IAMB. Shcherbak asked Sach to organize this briefing. Khalilzad